



# PRESS NOTICE

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March 31, 2005

**FOR IMMEDIATE RELEASE**

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**FORMER EMPLOYEE OF WEBMD SUBSIDIARY PLEADS GUILTY**  
**IN ACCOUNTING AND KICK-BACK SCHEME**

Columbia, South Carolina - ACTING U. S. ATTORNEY JONATHAN S. GASSER, United States Attorney for the District of South Carolina, LESLIE G. WISER, JR., Special Agent in Charge of the Columbia, South Carolina Division of the Federal Bureau of Investigation ("FBI"), and CHARLES E. HUNTER, Special Agent in Charge of the Charlotte, North Carolina Field Office of the Internal Revenue Service - Criminal Investigation Division ("IRS-CID"), announced today that **WILLIAM KOTTAGE**, age 44, of Northbridge, Connecticut, a former employee of Medical Manager Health Systems, Inc., formerly known as Medical Manager Corporation, ("Medical Manager"), a

subsidiary of WebMD Corporation (“WebMD”) since 2000, pleaded guilty to one count of Mail Fraud, Title 18, United States Code, Section 1341 (taking kickbacks in connection with a scheme to fraudulently inflate the reported earnings of Medical Manager between 1997 and 2002) and to one count of Tax Fraud (Title 26, United States Code, Section 7201). United States District Judge Sol Blatt, Jr. accepted the plea in Charleston, South Carolina and will impose sentence after he has reviewed the presentence report which will be prepared by the U.S. Probation Office.

Evidence presented at the guilty plea hearing established that KOTTAGE was the Director of Operations for Medical Manager’s Northeast Region from 1999 through April of 2002. KOTTAGE was aware of the fraudulent accounting practices to artificially inflate the quarterly revenues of Medical Manager, in order to meet and exceed the earnings expectations of financial analysts and thereby defraud the investing public. These practices included:

(1) causing companies acquired by Medical Manager to fraudulently reclassify previously recognized sales revenue on their books as deferred income, so that such deferred income could subsequently be included as revenue by Medical Manager and its parents in later reporting periods;

(2) causing companies acquired by Medical Manager to fraudulently inflate reserve accounts on their books, so that those reserves could be

subsequently reversed in later reporting periods in order to artificially inflate earnings for Medical Manager and its parents in those periods;

(3) causing companies acquired by Medical Manager to simultaneously enter into sham purchases of software from Medical Manager in connection with the acquisition, which purchases were funded by increasing the purchase price paid to the acquired company by Medical Manager. These “round trip” transactions were used to create fraudulent revenues for Medical Manager; and

(4) causing Medical Manager to book and record sales revenue before the revenue process was complete in accordance with Generally Accepted Accounting Principles and thereby fraudulently inflating Medical Manager’s reported revenues.

KOTTAGE received kickbacks from the companies acquired by Medical Manager, as did other executives involved in the accounting fraud scheme. KOTTAGE received approximately \$89,345 in kick-backs and gifts. He also intentionally failed to report the kickbacks and gifts as income on his tax returns for the years 1999 and 2000.

The maximum penalty on the Mail Fraud counts is five years in prison and a fine of \$250,000 and a term of supervised release of three years. The maximum penalty on the Tax Fraud count is five years in prison, a fine of \$250,000, the costs of prosecution and a term of supervised release of three

years. The Government's investigation into the full extent of the accounting scheme, and the magnitude of its impact on the reported financial statements of Medical Manager and its parent, is continuing.

The case is being investigated by the Federal Bureau of Investigation and the Internal Revenue Service, Criminal Investigation Division. The case is being prosecuted by the United States Attorney's Office for the District of South Carolina and the Fraud Section, Criminal Division, U.S. Department of Justice.

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